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SIPDIS

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TAGS: [PGOV](#) [PINR](#) [AR](#)
SUBJECT: INFLUENTIAL COMMENTATOR ON ARGENTINA'S UNSETTLED
POLITICAL CLIMATE

REF: BUENOS AIRES 1124

Classified By: Charge d'Affaires Tom Kelly for reasons 1.4 (B) and (D).

¶1. (C) Summary: In an hour-long conversation on August 15, leading political analyst Joaquin Morales Sola (JMS) described the Argentine government as struggling to get by with short-term solutions and as being dangerously out of touch with Argentine society. He said that he believes that President Cristina Fernandez de Kirchner (CFK), at her husband Nestor's insistence, will resign if confronted with another serious political setback in the hope that the first couple can launch a political comeback in a few years. He hastened to add that he does not see such a scenario playing out in the short term. JMS described one positive development: the rising economic policy influence of Argentina's capable Central Bank chief, Martin Redrado. We report his opinions because Morales Sola is one of the most astute and well-connected analysts on the Argentine scene. End Summary.

JMS: GOA Not Dealing with Mounting Problems

¶2. (SBU) La Nacion columnist JMS, arguably Argentina's most influential political commentator, met with Ambassador August ¶15. Information officer and press assistant also attended. JMS, who has multiple sources within the government, did much of the talking, and had much of interest to say. The government, he observed, is surviving by tamping down fires like the farm strike. This approach, however, is not solving any of the country's problems, while new ones continue to emerge. These issues include high inflation, the national statistics agency INDEC's loss of credibility, the divisive role of Internal Commerce Secretary Guillermo Moreno, the proposed nationalization by the GOA of Aerolineas Argentinas, and the still-simmering dispute with the farm sector, which could heat up again soon. In addition, he argued, the fiscal balance will soon be an issue of concern, as Argentina must pay 30 billion dollars by 2010. Given the poor performance of the government, JMS maintained, the Argentine public has lost confidence in the political leadership of the Kirchners, and this will not be easily restored.

The First Couple's Struggles

¶3. (C) JMS noted that both of the Kirchners are having a hard time adjusting to the current situation. Nestor Kirchner, he claimed, really wanted his wife to resign following the GoA's defeat in the farm crisis. They were only stopped from doing so by then-Cabinet Chief Alberto Fernandez and Casa Rosada Chief Counsel Carlos Zannini. JMS claimed that Nestor still sees the idea of a resignation as a plausible course of action for his wife if the political situation deteriorates and another crisis breaks out. As JMS described it, Nestor's political calculation is that Argentines associate his rule

with good economic times, and that it would therefore be better politically to leave before the Kirchners become associated with the bad economic times that lie ahead. If they bow out, someone else will have to rule Argentina during a challenging period of economic hardship. That ruler will be compelled to take difficult decisions and implement unpopular measures, such as major utility hikes. In a few years, according to this logic, Argentine society will associate the Kirchners with economic prosperity, setting the stage for their return to power.

14. (C) JMS said that this scenario would only play out in a crisis as serious as the battle with the rural sector. He does not/not see any of the current problems rising to that level in the near term. JMS thought that the current disagreements with the opposition)- including the developing show-down in Congress over the GOA's plan to take over troubled flag carrier Aerolineas Argentinas -- would not suffice to convince CFK to abandon office, no matter how they played out.

15. (C) Still, JMS mused, it is worrisome that Nestor Kirchner thinks this way. Indeed, there is no one left in the inner circle with the independence and clout to say no to Nestor. Former Cabinet Chief Fernandez was such an individual, which was one of the reasons he had so many arguments with Nestor in recent months. But Carlos Zannini, for example, depends on Nestor and Cristina for his power and stature, and backs down when he gets stared at or yelled down by Nestor. The new Cabinet Chief, Sergio Massa, has no clout with Nestor, according to JMS.

JMS: CFK Lives in a Bubble

16. (C) JMS characterized CFK as smart and talented, but dangerously out of touch with reality. Her discourse doesn't correspond with what is happening in Argentine society, such as the rising prices that confront consumers in stores. CFK stubbornly sticks to her views and past positions, finding it very difficult to admit any errors or accept other viewpoints. JMS contended that part of the problem is that CFK has lived in a bubble for years, hopping from helicopter to plane and never having to manage money for her household. As a result, when advisers tell her that inflation is a problem, she disregards the news, believing that her advisers are inordinately influenced by the anti-GOA media.

A Positive Development: Redrado's Influence Rising

17. (SBU) JMS said that one positive development of late is that the Kirchners have been consulting with Central Bank chief Martin Redrado on the economy. Redrado's premise is that "all problems are manageable -- if you manage them." (JMS's August 17 column in La Nacion reported this line, without attributing it to Redrado.) JMS said that this approach encourages the Kirchners to face up to the problems that are out there and manage them. (See BA 1124, which describes the Ambassador's recent discussion with Redrado.) Redrado, said JMS, is on the short list to replace Carlos Fernandez as Minister of Economy. Redrado, however, has earned a good reputation, which he wants to maintain and protect. JMS argued that he would only agree to become Economy Minister if he was given real autonomy. Because he thinks that Nestor will never agree to cede control over the economy, JMS concludes that Redrado will not become minister.

JMS Asks About Washington's Views

18. (SBU) JMS asked about a report in the daily Clarin that A/S Shannon was so concerned about conditions in Argentina that he had thought about taking a quick visit to the country to get a better feel for the seriousness of the current political situation and offer advice to CFK. Ambassador

Wayne refuted this story, saying that Argentina's problems are to be solved by Argentines. He recounted how A/S Shannon was recently in Argentina for bilateral consultations, reflecting our long-term view of Argentina's importance and the value of a stronger bilateral relationship. We are pleased with the state of our bilateral dialogue and are looking for ways to strengthen ties with Argentina and its democratic institutions, the Ambassador said. As for the economic situation, U.S. firms, like other companies doing business in Argentina, are concerned about inflation and the investment climate, but have not felt targeted by the GoA. In fact, the GoA continues to seek and promote U.S. investment.

¶9. (SBU) The Ambassador conceded that there is naturally concern in the United States about Argentina's situation given the recent strife and the press reports. He cited the example of Senate staff member Carl Meacham's recent visit to Argentina, in which the staffer conveyed Senator Lugar's concern about the local situation. The Ambassador noted, however, that the majority of Wall Street analysts are not predicting default or an economic meltdown. JMS said he agreed with that view.

¶10. (U) JMS synthesized these remarks into the following single sentence in his August 17 La Nacion column: "In Washington, reliable sources from the American capital agree laconically that there's concern."
KELLY